Livestock and Poultry: World Markets and Trade

Overview

Key Developments and Factors Impacting Livestock and Meat Production, Supply and Distribution in 2006

- **Positive macroeconomic growth will continue to encourage investment and increase consumer demand.**

World economic growth is expected to remain strong throughout 2006, albeit at the same level of 2005. The forecasted positive economic environment will promote investment in meat production and processing capacity in many major livestock and poultry producing countries. Producers and processors in rising exporting countries are investing in a range of capacity and quality improvement projects such as the modernization and construction of slaughtering plants in Brazil and feedlot expansion in South Africa. However, there are instances in which economic growth will not be enough to support production and processing growth. In the case of the Indonesian poultry sector, outbreaks of AI, escalating energy costs, weak currency, and higher feed costs will minimize profits and constrain growth in 2006. Increases in worldwide real per capita GDP in 2006 will continue to fuel rising livestock and poultry consumption and hence production. Asian economies particularly China, Hong Kong, Taiwan, and Thailand are forecast to experience strong growth, likely fostering meat consumption as consumers will have more disposable income.

- **Red meat and poultry meat prices for major exporters influenced by disease related trade distortions.**

During 2004 and 2005, outbreaks of AI and BSE caused trade distortions which affected major exporters' (such as the United States and Brazil) poultry and beef prices. Consequently, major exporters' pork prices increased in the last two years as exports mushroomed in the wake of consumers shifting their animal protein consumption.

- **Favorable exchange rate enables U.S. to remain price competitive.**

A weak U.S. dollar has made U.S. exports of meat and poultry more competitive in world markets since 2003. Even though further depreciation of the U.S. dollar vis à vis competitor countries such as Brazil and Australia is not anticipated to continue in 2006, favorable exchange rates will give U.S. exports a competitive advantage.

- **FMD in Brazil will have minimal impact on current meat trade flows.**

The October 2005 outbreak of FMD in Mato Grosso do Sul, Brazil will constrain growth in the Brazilian beef and pork sectors. Brazil will shift beef production to FMD-free states to meet export demand in 2006, particularly to Russia. Mato Grosso do Sul is not a major pork producing region and the impact on Brazilian pork exports is anticipated to be small. At the time these forecasts were generated, Mato Grosso do Sul was the only state with confirmed FMD cases.

- **Broiler meat exports to surpass beef exports by major traders.**

For the first time in history, broiler meat exports by major traders are forecast to reach 7.5 million tons. Poultry demand is expected to be strong due to the absence of the United States in major beef markets and constraints on growth in Brazilian beef exports. The 2006 increase of nearly 7 percent is the result of increased trade by a number of countries including Argentina, Brazil, China, Thailand, and the United States.